

Fairson Holdings Limited

鈺皓控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8132)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (the “Directors”) of Fairson Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Note	Three months ended		Six months ended	
		30 September		30 September	
		2013	2012	2013	2012
		HK\$	HK\$	HK\$	HK\$
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations					
Turnover	4	37,571,379	36,428,829	80,409,490	72,804,157
Cost of sales		<u>(28,796,987)</u>	<u>(28,350,754)</u>	<u>(63,160,451)</u>	<u>(59,105,477)</u>
Gross profit		8,774,392	8,078,075	17,249,039	13,698,680
Other income	5	102,025	77,408	155,638	308,857
Selling expenses		<u>(1,512,805)</u>	(1,173,254)	<u>(3,128,458)</u>	(2,126,943)
Administrative expenses		<u>(51,082,602)</u>	(6,253,638)	<u>(57,957,560)</u>	(12,261,896)
(Loss)/profit from operations		(43,718,990)	728,591	(43,681,341)	(381,302)
Gain on disposal of subsidiaries	6	26,648	–	26,648	–
Finance costs	7	<u>(544,157)</u>	(217,241)	<u>(627,487)</u>	(451,076)
(Loss)/profit before tax		(44,236,499)	511,350	(44,282,180)	(832,378)
Income tax expense	8	<u>(143,238)</u>	(317,992)	<u>(349,739)</u>	(451,954)
(Loss)/profit for the period from continuing operations		(44,379,737)	193,358	(44,631,919)	(1,284,332)
Discontinued operations					
Loss for the period from discontinued operations	9	<u>–</u>	(5,918,023)	<u>–</u>	(7,860,527)
Loss for the period	10	(44,379,737)	(5,724,665)	(44,631,919)	(9,144,859)
Other comprehensive income, net of tax:					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations		<u>9</u>	–	<u>127,890</u>	–
Total comprehensive loss for the period		<u>(44,379,728)</u>	<u>(5,724,665)</u>	<u>(44,504,029)</u>	<u>(9,144,859)</u>

	<i>Note</i>	Three months ended		Six months ended	
		30 September 2013 <i>HK\$</i> (Unaudited)	2012 <i>HK\$</i> (Unaudited)	30 September 2013 <i>HK\$</i> (Unaudited)	2012 <i>HK\$</i> (Unaudited)
(Loss)/profit for the period attributable to:					
Owners of the Company					
(Loss)/profit from continuing operations		(44,332,311)	193,358	(44,584,493)	(1,284,332)
Loss from discontinued operations		<u>–</u>	<u>(4,137,268)</u>	<u>–</u>	<u>(5,490,871)</u>
Loss attributable to owners of the Company		<u>(44,332,311)</u>	<u>(3,943,910)</u>	<u>(44,584,493)</u>	<u>(6,775,203)</u>
Non-controlling interests					
Loss from continuing operations		(47,426)	–	(47,426)	–
Loss from discontinued operations		<u>–</u>	<u>(1,780,755)</u>	<u>–</u>	<u>(2,369,656)</u>
Loss attributable to non-controlling interests		<u>(47,426)</u>	<u>(1,780,755)</u>	<u>(47,426)</u>	<u>(2,369,656)</u>
		<u>(44,379,737)</u>	<u>(5,724,665)</u>	<u>(44,631,919)</u>	<u>(9,144,859)</u>
Total comprehensive loss for the period attributable to:					
Owners of the Company					
Profit/(loss) from continued operations		(44,332,302)	193,358	(44,456,603)	(1,284,332)
Loss from discontinued operations		<u>–</u>	<u>(4,137,268)</u>	<u>–</u>	<u>(5,490,871)</u>
Loss attributable to owners of the Company		<u>(44,332,302)</u>	<u>(3,943,910)</u>	<u>(44,456,603)</u>	<u>(6,775,203)</u>
Non-controlling interests					
Loss from continuing operations		(47,426)	–	(47,426)	–
Loss from discontinued operations		<u>–</u>	<u>(1,780,755)</u>	<u>–</u>	<u>(2,369,656)</u>
Loss attributable to non-controlling interests		<u>(47,426)</u>	<u>(1,780,755)</u>	<u>(47,426)</u>	<u>(2,369,656)</u>
		<u>(44,379,728)</u>	<u>(5,724,665)</u>	<u>(44,504,029)</u>	<u>(9,144,859)</u>
(Loss)/earnings per share (<i>HK\$ cents</i>)					
From continuing and discontinued operations					
Basic	12(a)	<u>(6.75)</u>	<u>(0.72)</u>	<u>(7.39)</u>	<u>(1.23)</u>
Diluted	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
From continuing operations					
Basic	12(b)	<u>(6.75)</u>	<u>0.03</u>	<u>(7.39)</u>	<u>(0.23)</u>
Diluted	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

		30 September	31 March
		2013	2013
	<i>Note</i>	HK\$	HK\$
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	13	20,718,598	21,021,641
Goodwill		5,363,566	5,363,566
Available-for-sale financial assets		–	1,110,739
Deposit paid for acquisition of a subsidiary	14	5,000,000	–
Deposits paid for acquisition of property, plant and equipment		2,153,709	878,435
		<u>33,235,873</u>	<u>28,374,381</u>
Current assets			
Inventories		16,987,445	17,760,397
Trade and other receivables	15	49,682,867	45,445,997
Financial assets at fair value through profit or loss		–	640
Pledged bank deposits		1,510,914	1,510,837
Bank and cash balances		43,057,708	12,709,788
		<u>111,238,934</u>	<u>77,427,659</u>
Current liabilities			
Trade and other payables	16	32,312,519	37,052,606
Promissory notes	17	32,780,000	–
Amount due to a director		579,991	829,265
Current tax liabilities		6,613,137	6,324,805
Borrowings		6,166,667	6,666,667
		<u>78,452,314</u>	<u>50,873,343</u>

		30 September	31 March
		2013	2013
	<i>Note</i>	HK\$	HK\$
		(Unaudited)	(Audited)
Net current assets		<u>32,786,620</u>	<u>26,554,316</u>
Total assets less current liabilities		<u>66,022,493</u>	<u>54,928,697</u>
Non-current liabilities			
Deferred tax liabilities		<u>973,694</u>	<u>973,694</u>
NET ASSETS		<u><u>65,048,799</u></u>	<u><u>53,955,003</u></u>
Capital and reserves			
Share capital	<i>18</i>	660,000	550,000
Reserves		<u>64,316,225</u>	<u>53,405,003</u>
Equity attributable to owners of the Company		64,976,225	53,955,003
Non-controlling interest		<u>72,574</u>	<u>–</u>
TOTAL EQUITY		<u><u>65,048,799</u></u>	<u><u>53,955,003</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2013

1. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the 2013 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2013 except as stated below.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2013. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

(a) Amendments to HKAS 1 “Presentation of Financial Statements”

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) HKFRS 13 “Fair Value Measurement”

HKFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the condensed consolidated financial statements. HKFRS 13 has been applied prospectively.

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

4. SEGMENT INFORMATION

The reportable operating segments derive their turnover primarily from the manufacture and sale of power and data cords. Management assesses the performance of the following segments:

- Power cords and inlet sockets for household electric appliances
- Power and data cords for mobile handset and medical control devices
- Raw cables
- Copper wires (discontinued operations)

The sales from trading of plant and equipment and other cables are not included in the reportable operating segments. The turnover and results of these operations are included in the “all other segments” column.

	Continuing operations			Discontinued operations		Total
	Power cords and inlet sockets for household electric appliances	Power and data cords for mobile handsets and medical control devices	Raw cables	All other segments	Copper wires	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended						
30 September 2013						
Segment revenue	20,305,501	60,103,989	14,530,569	–	–	94,940,059
Inter-segment revenue	–	–	(14,530,569)	–	–	(14,530,569)
Segment revenue from external customers	20,305,501	60,103,989	–	–	–	80,409,490
Segment results	<u>3,784,736</u>	<u>13,464,303</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>17,249,039</u>
Six months ended						
30 September 2012						
Segment revenue	15,426,126	55,951,277	17,353,316	660,146	14,599,976	103,990,841
Inter-segment revenue	–	–	(16,586,708)	–	(3,964,874)	(20,551,582)
Segment revenue from external customers	15,426,126	55,951,277	766,608	660,146	10,635,102	83,439,259
Segment results	<u>2,470,389</u>	<u>10,840,016</u>	<u>240,800</u>	<u>147,475</u>	<u>(1,659,840)</u>	<u>12,038,840</u>

	Six months ended	
	30 September	
	2013	2012
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Reconciliations of segment results:		
Total profit of reportable segments	17,249,039	12,038,840
Unallocated amounts:		
Other income	155,638	321,734
Selling expenses	(3,128,458)	(2,245,706)
Administrative expenses	(57,957,560)	(18,303,678)
Gain on disposal of subsidiaries	26,648	–
Finance costs	(627,487)	(504,095)
Consolidated loss before tax for the period	<u>(44,282,180)</u>	<u>(8,692,905)</u>

5. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	4,848	6,090	8,129	12,907
Net foreign exchange gain	–	30,613	–	35,337
Sundry income	97,177	59,974	147,509	273,490
	<u>102,025</u>	<u>96,677</u>	<u>155,638</u>	<u>321,734</u>
Representing:				
Continuing operations	102,025	77,408	155,638	308,857
Discontinued operations	–	19,269	–	12,877
	<u>102,025</u>	<u>96,677</u>	<u>155,638</u>	<u>321,734</u>

6. GAIN ON DISPOSAL OF SUBSIDIARIES

On 15 August 2013, Able One Investments Limited (“Able One”), a wholly-owned subsidiary of the Company, and Mr. Leow Swee Heng (the “Purchaser”) have entered into a sale and purchase agreement, pursuant to which Able One has agreed to dispose of its entire interest held in MEMS Solutions International Limited and its subsidiaries to the Purchaser at a cash consideration of HK\$1,200,000 (the “Disposal”). During the six months period ended 30 September 2013, the Disposal has been completed following all the precedent conditions to the Disposal were fulfilled.

Net liabilities at the date of the Disposal were as follows:

	<i>HK\$</i> (Unaudited)
Available-for-sale financial assets	1,110,739
Other receivables	47,694
Financial assets at fair value through profit or loss	640
Bank and cash balances	4,204
Amount due to former fellow subsidiaries	<u>(4,072,641)</u>
Net liabilities disposed of	(2,909,364)
Direct cost to the Disposal	20,075
Waiver of amount due to former fellow subsidiaries	4,062,641
Gain on disposal of a subsidiaries	<u>26,648</u>
Total consideration	<u><u>1,200,000</u></u>
Net cash inflow arising on the Disposal:	
Cash consideration received	1,200,000
Cash and cash equivalents disposed of	<u>(4,204)</u>
	<u><u>1,195,796</u></u>

7. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2013	2012	2013	2012
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Interest on bank borrowings and early settlement of trade receivables	90,491	270,260	173,821	504,095
Interest on promissory notes	453,666	–	453,666	–
	<u>544,157</u>	<u>270,260</u>	<u>627,487</u>	<u>504,095</u>
Representings:				
Continuing operations	544,157	217,241	627,487	451,076
Discontinued operations	–	53,019	–	53,019
	<u>544,157</u>	<u>270,260</u>	<u>627,487</u>	<u>504,095</u>

8. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 September		30 September	
	2013	2012	2013	2012
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Continuing operations				
Current tax – Hong Kong Profits Tax				
Provision for the period	2,345	–	48,203	24,368
Over provision in prior periods	–	–	–	(118,445)
	–	–	48,203	(94,077)
Current tax – PRC Enterprise Income Tax				
Provision for the period	140,893	317,992	301,536	546,031
	<u>143,238</u>	<u>317,992</u>	<u>349,739</u>	<u>451,954</u>

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the period.

The Group's subsidiary in the PRC was approved as a high technology enterprise in November 2012 pursuant to which the PRC subsidiary can enjoy a preferential income tax rate of 15% effective from 1 January 2012 to 31 December 2014. The Group's other PRC subsidiaries are subject to the PRC Enterprise Income Tax at the rate of 25%.

9. DISCONTINUED OPERATIONS

Due to economies of scale not having achieved in the near term and having incurred a significant operating loss, the Group streamlined its business during the six months ended 30 September 2012 by ceasing the operation of the copper wire business since late September 2012.

The results of the discontinued operations related to copper wires for the six months ended 30 September 2012, which have been included in the consolidated profit or loss, are set out below.

	Three months ended		Six months ended	
	30 September		30 September	
	2013	2012	2013	2012
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	–	1,345,024	–	10,635,102
Cost of sales	–	(2,098,035)	–	(12,294,942)
Gross profit	–	(753,011)	–	(1,659,840)
Other income	–	19,269	–	12,877
Selling expenses	–	(25,495)	–	(118,763)
Administrative expenses	–	(5,105,767)	–	(6,041,782)
Loss from operations	–	(5,865,004)	–	(7,807,508)
Finance costs	–	(53,019)	–	(53,019)
Loss before tax	–	(5,918,023)	–	(7,860,527)
Income tax expense	–	–	–	–
Loss for the period from discontinued operations	–	(5,918,023)	–	(7,860,527)

10. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging/(crediting):

	Three months ended		Six months ended	
	30 September		30 September	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Depreciation	1,559,325	1,518,609	3,113,071	2,964,381
Gain on disposal of property, plant and machinery	–	(12,663)	–	(12,663)
Directors' emoluments	20,243,637	547,500	20,784,879	1,094,000
Allowance for amount due from non-controlling interests	120,000	–	120,000	–
Reversal of allowance for inventories	(367,511)	–	(367,511)	–
Discontinued operations				
Depreciation	–	474,274	–	1,015,539
Loss on disposal of property, plant and machinery	–	1,900,859	–	1,900,859
Bad debts written off	–	1,978,608	–	1,978,608

Because of the subsequent sale of certain inventories, allowance made in prior years against the inventories of HK\$367,511 (six months ended 30 September 2012: Nil) was reversed during the period.

11. DIVIDENDS

The Board of the Directors does not recommend payment of any interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: Nil).

12. LOSS/EARNINGS PER SHARE

(a) For continuing and discontinued operations – Basic

Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$44,332,311 (2012: HK\$3,943,910) by the weighted average number of ordinary shares of 656,413,043 (2012: 550,000,000) in issue for the three months ended 30 September 2013. Basic loss per share is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$44,584,493 (2012: HK\$6,775,203) by the weighted average number of ordinary shares of 603,497,268 (2012: 550,000,000) in issue for the six months ended 30 September 2013.

(b) For continuing operations – Basic

Basic loss/earnings per share for continuing operations is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$44,332,311 (2012: profit of HK\$193,358) by the weighted average number of ordinary shares of 656,413,043 (2012: 550,000,000) in issue for the three months ended 30 September 2013. Basic loss per share for continuing operations is calculated by dividing the unaudited loss attributable to owners of the Company of HK\$44,584,493 (2012: HK\$1,284,332) by the weighted average number of ordinary shares of 603,497,268 (2012: 550,000,000) in issue for the six months ended 30 September 2013.

(c) For discontinued operations – Basic

Basic loss per share for discontinued operations is HK\$0.75 cents per share, based on the unaudited loss attributable to owners of the Company of HK\$4,137,268 by the weighted average number of ordinary shares of 550,000,000 in issue for the three months ended 30 September 2012. Basic loss per share for discontinued operations is HK\$1 cents per share, based on the unaudited loss attributable to owners of the Company of HK\$5,490,871 by the weighted average number of ordinary share of 550,000,000 in issue for the six months ended 30 September 2012.

No diluted loss/earnings per share is presented as the Company did not have any potential dilutive ordinary shares outstanding for the three and six months ended 30 September 2013 and 2012 respectively.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2013, the Group acquired property, plant and equipment of approximately HK\$2,764,000 (six months ended 30 September 2012: HK\$3,618,000). During the six months ended 30 September 2012, the Group disposed property, plant and equipment for the discontinued operations of copper wires with the aggregate carrying value of approximately HK\$2,934,000.

14. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 15 August 2013, the Company and Mr. Chung Wai Sum (the “Vendor”) entered into a non-legally binding Memorandum of Understanding (“MOU”) pursuant to which the Vendor proposed to sell and the Company proposed to purchase a majority interest in 3 Dynamics (Asia) Limited (the “Target Company”) from the Vendors (the “Proposed Acquisition”). The Target Company is incorporated in Hong Kong and principally engaged in electronic game design.

On 19 August 2013, the Company has paid an earnest money of HK\$5,000,000 (the “First Deposit”) to the Vendors in accordance with the term of MOU. The First Deposit is unsecured, non-interest bearing and refundable in the event that the Proposed Acquisition terminated.

Details of the MOU are set out in the Company’s announcement dated 15 August 2013.

15. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$47,273,283 (31 March 2013: HK\$42,229,832).

The majority of the Group's sales are on credit terms up to 120 days from the end of the month of invoice. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables based on the due date of invoice are as follows:

	30 September	31 March
	2013	2013
	HK\$	HK\$
	(Unaudited)	(Audited)
Not yet due	26,609,321	35,033,687
1 – 30 days past due	9,602,055	5,268,100
31 – 60 days past due	6,041,206	544,793
61 – 90 days past due	2,237,366	1,315,054
91 – 180 days past due	2,069,641	68,198
Over 180 days past due	713,694	–
	<u>47,273,283</u>	<u>42,229,832</u>

16. TRADE AND OTHER PAYABLES

The Group normally obtains credit terms ranging from 30 days to 120 days from its suppliers.

	30 September	31 March
	2013	2013
	HK\$	HK\$
	(Unaudited)	(Audited)
Trade payables	18,331,615	22,395,570
Other payables	7,326,639	8,145,464
Deposit received	1,416,469	3,565
Accruals	5,237,796	6,508,007
	<u>32,312,519</u>	<u>37,052,606</u>

The aging analysis of trade payables based on the due date are as follows:

	30 September	31 March
	2013	2013
	HK\$	HK\$
	(Unaudited)	(Audited)
Not yet due	11,965,762	11,272,750
1 – 30 days past due	6,033,795	5,969,666
31 – 60 days past due	329,520	4,999,512
61 – 90 days past due	2,013	147,453
91 – 180 days past due	525	6,189
	<u>18,331,615</u>	<u>22,395,570</u>

17. PROMISSORY NOTES

During the six months ended 30 September 2013, promissory notes were issued by the Company with principal amount of HK\$32,780,000. The promissory notes bear interest at 10% per annum and have the maturity date of one year from the date of issuance of promissory notes. The effective interest rates of the promissory notes are ranging from 9.85% per annum to 10.87% per annum. The proceeds from the issuance of promissory notes will be used as general working capital and/or financing future investment opportunities of the Group.

The principal amount of the promissory note is denominated in Hong Kong dollars.

18. SHARE CAPITAL

	Number of	Amount
	shares	HK\$
<i>Authorised:</i>		
Ordinary shares of HK\$0.001 each		
At 1 April 2012, 31 March 2013, 1 April 2013 and 30 September 2013	<u>1,000,000,000</u>	<u>1,000,000</u>

	<i>Note</i>	Number of shares	Amount HK\$
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.001 each			
At 1 April 2012, 31 March 2013 and 1 April 2013 (Audited)		550,000,000	550,000
Issue of shares on placing	<i>(a)</i>	110,000,000	110,000
At 30 September 2013 (Unaudited)		660,000,000	660,000

Note:

- (a) On 4 July 2013, the Company issued 110,000,000 ordinary new shares at a subscription price of HK\$0.12 per share for a total cash consideration of HK\$13,200,000. The premium on the issue of shares amounting to HK\$12,736,825, net of share issue expenses, was credited to the Company's share premium account.

19. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose to attract, retain and motivate the eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 27 April 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the specific categories of options are as follows:

Grantee	Date of grant	Exercise period	Exercise price <i>HK\$</i>
Directors, employees and consultants	17 September 2013	17 September 2013 to 16 September 2023	2.18

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

Details of the share options outstanding during the period are as follows:

	30 September 2013	
	Number of	Weighted
	share options	average
		exercise price
		<i>HK\$</i>
Granted during the period and outstanding and exercisable at the end of the period	44,000,000	2.18

The options outstanding at the end of the period have a weighted average remaining contractual life of 9.9 years (2012: Nil) and the exercise price is HK\$2.18 (2012: Nil). The estimated fair values of the options granted on 17 September 2013 is HK\$42,631,000.

The fair values were calculated using the Binomial pricing model. The inputs into the model are as follows:

	30 September
	2013
Grant date share price	HK\$2.18
Diluted share price	HK\$2.04
Exercise price	HK\$2.18
Expected volatility	98.36%
Expected life	10 years
Risk free rate	2.273%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 2.55 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Share options granted to consultants were incentives for helping the Group expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

20. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended	
	30 September	
	2013	2012
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Consultancy fee to MEMS Solutions Pte Ltd	305,886	–

(a) Personal guarantees given by the directors in favour of the Group against the bank loans made to the Group totaling of HK\$1,166,667 at 30 September 2013 (at 31 March 2013: HK\$1,666,667).

(b) The Company granted 11,000,000 and 5,500,000 share options to the directors and non-executive director respectively which are exercisable from 17 September 2013 to 16 September 2023 at an exercise price of HK\$2.18 each.

21. CAPITAL COMMITMENTS

	30 September	31 March
	2013	2013
	HK\$	HK\$
	(Unaudited)	(Audited)
Contracted but not provided for:		
Property, plant and equipment	28,125	527,000

22. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 September 2013 (At 31 March 2013: Nil).

23. EVENTS AFTER THE REPORTING PERIOD

- (a) On 6 September 2013, the Company entered into a joint venture agreement with Jiangxi Zhongyou Yingtai Natural Gas Limited Liability Company and Zhongwaijian Engineering Construction Limited for the establishment of a joint venture company (“JV Company”) in the People’s Republic of China. The JV Company will engage in the proposed business of the development of liquefied natural gas, compressed natural gas and related clean energy business, including but not limited to the conversion of traditional oil fuel utilization to liquefied natural gas utilization in vessels. Details of the transaction are set out in the Company’s announcement dated 16 September 2013.
- (b) On 3 October 2013, the Company entered into a placing agreement with RHB OSK Securities Hong Kong Limited to procure not less than six places to subscribe up to 66,000,000 ordinary shares of HK\$0.001 each in the share capital of the Company at the placing price of HK\$1.56 per placing share. The expected maximum net proceeds of approximately HK\$100,390,000 will be used as general working capital and/or financing future investment opportunities of the Group.
- (c) On 10 October 2013, 18 October 2013 and 25 October 2013, the Company issued promissory notes at the principal amount of HK\$5,800,000, HK\$350,000 and HK\$10,000,000 which are due on 9 October 2014, 17 October 2014 and 24 October 2020 respectively. Promissory notes with aggregate principal amount of HK\$6,150,000 and HK\$10,000,000 are carrying an interest of 10% per annum and 2.5% per annum respectively. The proceeds from the above issuance of promissory notes will be used as general working capital and/or financing future investment opportunities of the Group.
- (d) On 25 October 2013, the Company and the Vendor entered into a supplemental MOU. Pursuant to the supplemental MOU, the Company has agreed to pay to the Vendor a sum of HK\$15,000,000 (the “Second Deposit”) as earnest money for the Proposed Acquisition as disclosed in note 14 to the condensed financial statements. The aggregate sum of the First Deposit and the Second Deposit is HK\$20,000,000 which will be used to set off the consideration of the Proposed Acquisition if a formal sales and purchase agreement is entered into between the Company and the Vendor. Details of the supplemental MOU are set out in the Company’s announcement dated 25 October 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

In the first half of 2013, the Group continued to execute its growth strategy in order to contain the impact of uncertain global economies. Digital communications industry, however, is still expanding which provides good opportunities for the Group to seize the market. For the six months ended 30 September 2013 (the “Interim Period”), the turnover of the Company and its subsidiaries (together the “Group”) was approximately HK\$80.41 million representing a decrease of approximately 4% from approximately HK\$83.40 million for the six months ended 30 September 2012 (the “Previous Corresponding Period”). The decrease in the turnover was mainly due to decrease in the segment turnover of raw cables, and the discontinued operation of copper wires. For the Interim Period, the loss of the Group attributable to owners of the Company was approximately HK\$44.6 million (2012: loss of approximately HK\$6.8 million) which was mainly due to (i) the increase of professional fee incurred for potential business opportunities; and (ii) the share-based payment incurred due to the grant of share options to the Directors, management and consultants of the Group during the six months ended 30 September 2013.

The board of Directors (the “Board”) does not recommend the payment of an interim dividend for the six months ended 30 September 2013.

Business Review

For the Interim Period, the Group’s turnover of its key product groups, including (i) power cords and inlet sockets for household electric appliances; and (ii) power and data cords for mobile handsets and medical control devices, accounted for approximately 25%, 75% (2012: approximately 18%, 68%) of the total turnover of the Group, respectively.

Turnover arising from Hong Kong and the PRC markets continued to be the key contributors for the Group, representing approximately 67% (2012: approximately 86%) of the total turnover of the Group for the Interim Period. The remaining of turnover of approximately 33% (2012: approximately 14%) for the Interim Period was contributed by customers from other overseas markets, including the United States.

Power cords and inlet sockets for household electric appliances

For the Interim Period, the Group’s turnover from power cords and inlet sockets for household electric appliances was approximately HK\$20.3 million (2012: approximately HK\$15.4 million), representing an increase of approximately 32% from the Previous Corresponding Period, which accounted for approximately 25% (2012: approximately 18%) of the total turnover of the Group.

The Group's power cords and inlet sockets used in household electric appliances received safety approvals and/or certificates in many countries, many of which also received eleven types of international safety standards. The Group believes that the high standard of the products can fulfill the expectations and requirements of customers and benefit the Group's business expansion in the long run.

Power and data cords for mobile handsets and medical control devices

For the Interim Period, the Group's turnover from power and data cords for mobile handsets was approximately HK\$46 million (2012: approximately HK\$46.2 million), representing a decrease of 0.4% from the Previous Corresponding Period, which accounted for approximately 57% (2012: approximately 55%) of the total turnover of the Group.

The power and data cords for mobile handsets are generally used for power charging and data transfer and are essential accessories for all mobile handsets. The enormous demand for telecommunications devices, especially in the PRC, facilitated the Group to produce power and data cords of different specifications, including high speed USB connectors and data cord products, which can support higher data transmission speed and audiovisual output quality. All our devices conform to the standard of mobile handset design set by USB Implementers Forum, Inc..

For the Interim Period, turnover from power and data cords for medical control devices was approximately HK\$14.1 million (2012: approximately HK\$9.7 million), representing an increase of approximately 45.3% from the Previous Corresponding Period, which accounted for approximately 17.5% (2012: approximately 12%) of the total turnover of the Group.

The medical control devices are multi-functional products which are mainly exported to a customer in the United States. The devices are then used for further assembling and processing into final products (which include pillow speakers, bed controls, bed cables and call cords to be sold to hospitals and clinics).

Raw Cables

For the Interim Period, the Group manufactured the raw cables for production into the finished goods of power and data cords for mobile handsets so that the Group had no third-party turnover from raw cables generated in the Interim Period. The Group mainly concentrated on integrated products with connectors rather than 2-pin raw cables. The Group's raw cables business use halogen-free insulation materials as they are more environmental friendly and are able to adapt to the changing needs and requirements of the market.

Outlook

The Group shall focus on capturing the abundant opportunities and demand for power and data cords for mobile handsets coming along with the industry boom. According to the statistics from the Ministry of Industry and Information Technology of the PRC, the PRC telecommunications industry is growing at a steady pace while the number of mobile phone users in PRC has reached 1.165 billion by May 2013. Meanwhile, the continuous development and advancement of telecommunication brings in more 3G mobile service users in the PRC, which has reached 300 million by May 2013. Accordingly, the Group shall fully utilise the production and sales capability in order to fulfil the vast market needs.

Looking ahead, the Group is optimistic about the macroeconomic environment. It is expected to see an upward trend of market demand for mobile handsets and the Group shall adopt a moderate marketing strategy to capture potential business opportunities. A balanced and steady development of the existing businesses would be maintained, including (i) power cords and inlet sockets for household electric appliances, and (ii) power and data cords for mobile handsets and medical control devices, so as to maximize the profitability of the Group. In the future, the Group will continue to actively explore business opportunities in other sectors to diversify risks and broaden the source of income of the Group.

Diversification of Businesses

On 6 September 2013, the Company entered into the Joint Venture agreement (the “JV agreement”) with Zhongyou Yingtai and Zhongwajian, pursuant to which (i) the JV Company will be jointly established for the purpose of development of liquefied natural gas (“LNG”), compressed natural gas (“CNG”) and related clean energy business, including but not limited to the conversion of traditional oil fuel utilization to LNG utilization in vessels; and (ii) the Technology will be injected into the JV Company by Zhongyou Yingtai. The registered capital of the JV Company will be RMB100 million (equivalent to approximately HK\$126.72 million) which will be contributed and owned by the Company, Zhongyou Yingtai and Zhongwajian as to 51%, 40% and 9%, respectively.

The JV Company will be established to engage in the proposed business of, inter alia, the development of LNG, CNG and related clean energy business, including but not limited to the conversion of traditional diesel utilization to LNG utilization in vessels. The government of the PRC has issued national plans and guidance notes in relation to the implementation of energy conservation and emission reduction policies, pursuant to which one of the focuses is on the utilization of natural gas and the conversion of traditional diesel utilization to LNG utilization by vessels in the water transportation industry. With the PRC’s policy of development of energy conservation and environmental protection industry, the consumption of clean energy such as natural gas is expected to increase in industrial, civil, transportation and other fields and the prospect of LNG, CNG and related clean energy for a sustainable development market is bright.

The development of LNG, CNG and related clean energy business will become a new business segment of the Group upon completion of the Formation of JV Company. Given the Board's positive outlook of the development of natural gas in the PRC, the Company believes that the Group would leverage on the connections and expertise of Zhongyou Yingtai on the Technology to develop the JV Company's LNG, CNG and related clean energy business in the PRC. The Board also believes that the Formation of JV Company would enable the Group to diversify its revenue source and improve the Group's profitability in the long run.

POTENTIAL ACQUISITION AND FUNDRAISING ACTIVITIES

- a. The Company entered a memorandum of understanding ("April 2013 MOU") on 24 April 2013, between MK Assets Management Limited, as the vendor, and the Company, as the purchaser, in relation to the sale and purchase of 51% of the issued shares of United Success Global Limited, details of which were disclosed in the announcement of the Company dated 24 April 2013. The Company has conducted due diligence review on United Success. After taking into consideration of the results of such due diligence review, the Board has decided not to proceed with the Proposed Acquisition. Accordingly, the April 2013 MOU was terminated by way of a letter of termination dated 15 August 2013.

Neither party shall have any claims against the other in respect of the termination of the April 2013 MOU.

- b. The placing agreement dated 26 April 2013 entered into between the Company and Yuanta Securities (Hong Kong) Company Limited in relation to the placing of an aggregate of 110,000,000 placing shares at HK\$0.12 each. The Placing was completed on 4 July 2013 pursuant to which the Company has allotted and issued 110,000,000 Placing Shares to not less than six Placees at HK\$0.12 per Placing Share.
- c. The placing agreement dated 31 May 2013 entered into between the Company and ChangJiang Securities Brokerage (HK) Limited ("ChangJiang") as the placing agent in relation to the placing of promissory notes up to an aggregate principal amount of HK\$50,000,000. The placing was completed on 30 August 2013, and promissory notes in the aggregate principal amount of HK\$27,780,000 have been successfully placed by ChangJiang to not fewer than six Placees. The net proceeds from the placing (after deducting related expenses) were HK\$27,507,060.
- d. The placing agreement dated 2 August 2013 entered into between the Company and Huatai Financial Holdings (Hong Kong) Limited ("Huatai") as the placing agent in relation to the placing of an aggregate of 66,000,000 placing shares at HK\$1.36 each. Due to the uncertainties of the financial market, the placing has not been successful and accordingly, the placing agreement has lapsed and the Placing will not proceed.

- e. The memorandum of understanding dated 15 August 2013 (the “August 2013 MOU”) entered into between the Company, as the purchaser, and Mr. Chung Wai Sum, as the vendor, in relation to the sale and purchase of a majority interest in 3 Dynamics (Asia) Limited, a company incorporated in Hong Kong principally engaged in electronic game design. The Company paid a refundable deposit of HK\$5 million (“First deposit”) to the Vendor within 7 days from the signing of the August 2013 MOU as earnest money. On 25 October 2013, the Company and the Vendor entered into a Supplemental MOU “Supplemental MOU”), whereby the Company has agreed to pay within 7 days from the date of the Supplemental MOU, to the Vendor the Second Deposit of HK\$15 million as earnest money. A Share Charge was signed by the Vendor in favor of the Company on 25 October 2013 as collateral to the Deposits. The aggregate payment of the Deposits by the Company to the Vendor constitutes a discloseable transaction for the Company.
- f. The placing agreement dated 5 September 2013 entered into between the Company and KGI Asia Limited in relation to the placing of 66,000,000 warrants at the issue price of HK\$0.01 per warrant. On 7 October, the Board announces that the Placing Period expired at 5:00 p.m. on 7 October 2013 and due to the uncertainties of the financial market, the Placing has not been successful. Accordingly, the Placing will not proceed.
- g. The placing agreement dated 3 October 2013 entered into between the Company and RHB OSK Securities Hong Kong Limited in relation to the placing of an aggregate of 66,000,000 placing shares at HK\$1.56 each.

Employees’ remuneration policy

As at 30 September 2013, the Group employed 533 (31 March 2013: 808) full time employees mainly in the PRC and Hong Kong. The Group’s remuneration policy is reviewed periodically and determined by reference to market terms, the Group’s performance, and individuals’ qualifications and performance. Employee benefits include medical schemes, mandatory provident fund scheme for Hong Kong employees, and central pension schemes operated by the local municipal governments for employees in the PRC. The Group also provides training programs for our employees to equip them with the requisite skills and knowledge and offer a share option scheme to recognise the employees who make significant contributions to the Group.

Total staff costs (including Directors’ remuneration) for the Interim Period amounted to approximately HK\$50.8 million (2012: approximately HK\$21.1 million).

Liquidity, financial resources and capital structure

As at 30 September 2013, the indebtedness of the Group was approximately HK\$38.9 million (31 March 2013: approximately HK\$6.7 million). The borrowings are denominated in Hong Kong dollars. The Group had bank and cash balances of approximately HK\$43 million (31 March 2013: approximately HK\$12.7 million).

As at 30 September 2013, the ratio of current assets to current liabilities of the Group was approximately 1.42 (31 March 2013: approximately 1.52), and the gearing ratio of the Group has not been calculated as at 30 September 2013 as bank and cash balance exceeded borrowings (31 March 2013: approximately -11%). Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the condensed consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as ‘Equity’ as shown in the condensed consolidated statement of financial position plus net debt.

Details of the capital structure of the Company as at 30 September 2013 are set out in note 18 to the unaudited condensed consolidated interim financial statements.

Commitments of the Group as at 30 September 2013 are set out in note 21 to the unaudited condensed consolidated interim financial statements.

Exposure to foreign exchange risk

The Group operates mainly in Hong Kong and the PRC and is exposed to minimal foreign exchange risks arising from various currency exposures, primarily with respect to the Renminbi (“RMB”) and United States dollar (“US\$”). The Group mitigates these risks by maintaining HK\$, US\$ and RMB bank accounts to pay for the transactions denominated in these currencies respectively. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Pledge of assets

As at 30 September 2013, the Group’s following assets are pledged to secure its bank borrowings:

- a) The Group’s leasehold land and buildings with an aggregate carrying value of approximately HK\$4,368,000 (31 March 2013: approximately HK\$4,433,000);
- b) Pledge of the Group’s bank deposits with an aggregate carrying value of approximately HK\$1,511,000 (31 March 2013: approximately HK\$1,511,000); and
- c) Corporate guarantee provided by the Company.

Contingent liabilities

The Group had no significant contingent liabilities as at 30 September 2013 (31 March 2013: HK\$nil).

Disposal of a subsidiary

On 15 August 2013, Able One Investments Limited (“Able One”), a wholly-owned subsidiary of the Company, and Mr. Leow Swee Heng (the “Purchaser”) have entered into a sale and purchase agreement, pursuant to which Able One has agreed to dispose of its entire interest held in MEMS Solutions International Limited to the Purchaser at a cash consideration of HK\$1,200,000 (the “Disposal”). During the six months period ended 30 September 2013, the Disposal has been completed following all the precedent conditions to the Disposal were fulfilled.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and enhance its corporate value. The Company’s corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report in Appendix 15 to the GEM Listing Rules (the “CG Code”).

During the Interim Period, the Company had complied with the code provisions in the CG Code with the exception of the CG Code provision A.2.1. which states that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Board is of the view that the Chairman has thorough understanding and expertise regarding the business operations of the Group and thus enabling him to make appropriate decisions in a timely manner which is in the interests of the shareholders of the Company as a whole. The other reasons for such deviation were set out in the Corporate Governance Report of the Company’s annual report for the year ended 31 March 2013 published on 24 June 2013.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the “Required Standards of Dealings”). The Company has confirmed, having made specific enquiry of the Directors, all the Directors have complied with the Required Standards of Dealings throughout the Interim Period.

COMPETING INTERESTS

Neither of the Directors, the compliance adviser and the substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Interim Period.

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company at the time of its listing on GEM on 18 May 2011 through a placement of 165,000,000 ordinary shares of HK\$0.001 each in the share capital of the Company at the price of HK\$0.30 per share, after deduction of the related underwriting fees and issuance expenses paid by the Company in connection thereto, were approximately HK\$29.6 million (the "IPO proceeds"). Details of the utilization of the IPO proceeds in comparison to that envisaged in the prospectus of the Company dated 6 May 2011 (the "Prospectus") are as follows:

	Proposed total use of proceeds as stated in the Prospectus HK\$'000	Proposed use of proceeds up to 30 September 2013 HK\$'000	Actual use of proceeds up to 30 September 2013 HK\$'000
Construction of new production plant and enhancement of production utilization (<i>Note</i>)	23,000	–	–
Product development	3,000	3,000	3,000
Expansion of market coverage	2,000	2,000	2,000
Sub-total	28,000	5,000	5,000
Working capital (<i>Note</i>)	1,600	24,600	24,600
Total	<u>29,600</u>	<u>29,600</u>	<u>29,600</u>

Note: In order to increase the Group's financial flexibility and better utilize the financial resources of the Group in preparation for the uncertain financial and economic environment, the Group announced on 8 November 2011 and 19 September 2012 respectively to adjust the proposed use of net proceeds from the placing of shares of the Company as previously set out in the Prospectus. Part of the net proceeds of approximately HK\$23 million was adjusted, as stated in the relevant announcements and retained as working capital of the Group and for the expansion of the domestic sales channel in the PRC and other overseas regions, especially Southeast Asia. The Group believes that such expansion in the clientele and marketing network would help to increase the profitability of the Group.

AUDIT COMMITTEE

The Company established an audit committee on 27 April 2011 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee is comprised of three independent non-executive Directors. The audit committee has reviewed the half-year results for the Interim Period. In addition, the Group's external auditors have reviewed the unaudited condensed consolidated interim financial statements in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by Quam Capital Limited ("Quam"), the compliance adviser of the Company, neither Quam nor any of its directors, employees or associates (as referred to in Rule 6A.32 of the GEM Listing Rules) had any interests in the securities of the Company, or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company as at 30 September 2013. Pursuant to the compliance advisory agreement dated 6 May 2011 entered into between Quam and the Company, Quam had received and will receive fees for acting as the compliance adviser of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the Interim Period.

By order of the Board

Yeung Tin Hung

Chairman

Hong Kong, 13 November 2013

As at the date of this announcement, the executive Directors are Mr. Yeung Tin Hung, Mr. Yeung Shing Wai and Mr. Ho Chun Kit Gregory; the non-executive Director is Mr. Wong Chi Yung and the independent non-executive Directors are Mr. Li Hin Lung, Ms. Eugenia Yang, Mr. Chan Lung Ming, Mr. Ng Ka Chung and Mr. Lau Sung Tat, Vincent.